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# Entrepreneurial Leadership: An Emerging Theory

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Entrepreneurial Leadership: An Emerging Theory

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Entrepreneurial leadership is still considered by most a concept rather than a theory (Aldrich & Baker, 1997) and research is limited (Esmer, 2017) despite entrepreneurs having a long history shaping our capitalistic ecosystems. This paper will discuss the emerging entrepreneurial leadership theory as a new paradigm to explore, and its relevance to the leadership model and how education, government and industry are recognizing the importance of learning and teaching this model to ensure continued healthy growth in business and innovation. As entrepreneurs are shaping Canada's economy through traditional business as well as through continuing to innovate while always considering the next big industry, producing and educating talented entrepreneurial leaders is an important consideration (Khosravi, 2018). This paper will also cover the commonalities between leaders and their entrepreneurial contemporaries, as well as discuss the differences that set them apart making entrepreneurial leadership the important and emerging theory that it has become.

### **Key Definitions of Entrepreneurial Leadership**

Entrepreneurial leadership can enhance an existing product or service, as well as improve upon the development of future areas for a company or organization to grow (Renko, et al., 2017). Like most leadership models, some entrepreneurial leaders will have characteristics and traits to help them achieve their goals, but through education and experiential learning these skills can be developed (Daft & Lane 2018). However, as previously stated, because entrepreneurial leadership remains a young theory there is not a universally integrated definition (Cogliser & Brigham, 2004), not unlike the term leadership itself. There have been many attempts to define entrepreneurial leadership (Appendix A) starting with Cunningham and Lischeron (1991), which reflected more on entrepreneurialism rather than the combined concept of entrepreneurship and leadership. The definition evolved to include more of the typical words

associated to effective leadership, such as influence (Ireland, Hitt, & Sirmon, 2003) and vision (Gupta, MacMillian & Surie, 2004), with further refinement finally landing on a hallmark of entrepreneurial leadership, innovation (Surie & Ashley, 2008). In 2015, Renko et al. developed an all-encompassing definition that will be the adopted definition throughout this paper, “Entrepreneurial leadership entails influencing and direction the performance of group members toward the achievement of organizational goals that involve recognizing and exploiting entrepreneurial opportunities.”

Even though the theory is relatively young in terms of academic research there remains several viewpoints on what characteristics make an effective entrepreneurial leader. A study conducted by Young Entrepreneur Council (2013) predicted 12 key character traits entrepreneurial leaders should emulate. These include:

1. Flexibility
2. Humility
3. Focus
4. Decisiveness
5. Stick-to-it-ness
6. Vision
7. Paranoid confidence
8. Ownership
9. Positivity
10. Salesmanship
11. Self-awareness
12. Ability to listen

This comprehensive list provides anyone looking into the theory of entrepreneurial leadership or putting the theory into practice and pursuing an entrepreneurial endeavor, a guide to what it takes to succeed as a leader looking to insight change. Looking at the list it is easy to draw comparison to another progressive leadership style, transformational leadership.

### **Transformational Leadership vs. Entrepreneurial Leadership**

One leadership style and theory that most closely emulates entrepreneurial leadership is transformational leadership. As transformational leaders are also regarded for their innate ability to enact change (Burns, 1978) as well as their ability to be encouraging and inspiring with their followers to go beyond what they may have previously not imagined for the betterment of the organization (Avolio et al., 2009), the similarities between the two are striking. Transformational leaders are also known to motivate followers outside of their comfort zone, and to do things not previously considered (Burns, 1978), which highlights both the entrepreneurial leaders' characteristics of being a visionary (Gupta, MacMillian & Surie, 2004), and innovator (Surie & Ashley, 2008). To further define the similarities it is essential to examine the four tenets of transformational leadership, which include idealized influence, inspirational motivation, intellectual stimulation and individualized consideration, are also some of the hallmarks of legendary entrepreneurial leaders.

#### **Idealized Influence**

Often considered the charisma factor, idealized influence in leaders generally means the leader has high moral fibre and conduct themselves in an ethical way (Northouse, 2018). Idealized influence prompts entrepreneurial leaders to seek change and attempt making the world a better place (Tichy & Devanna, 1986). It is hard not to consider Nelson Mandela, former

president of South Africa and first non-white person to ever hold that office, when examining a leader with high propensity for idealized influence (Northouse, 2018) . Exemplifying a life dedicated to ethical pursuits, Mandela is renowned as the visionary that transformed the South African nation while building a dedicated following (Northouse, 2018).

### **Inspirational Motivation**

Much has been written, said, and documented about Steve Jobs and how he treated his employees, and despite negative press and depictions of his quirky and sometimes considered abusive style with his employees, his employees largely remained steadfast and loyal to him and his vision (Toma & Marinescu, 2013). Jobs was known to demand perfection from his employees while continuing to inspire a culture of inspirational logic (Toma & Marinescu, 2013), traits and sentiments that imbue descriptors of inspirational motivation, such as communication of lofty expectations, and commitment to the overall organizations vision (Northouse, 2018).

### **Intellectual Stimulation**

Through intellectual stimulation leaders inspire their followers to engage in high-level psychological needs such as self-actualization (Daft & Lane, 2018). This could easily sum up an entrepreneurial leader like Oprah Winfrey, the media mogul who has been instrumental in encouraging her followers to dream big and build up their self-esteem throughout her professional career (Oprah, 2019), but more specifically has helped transformed the lives of countless girls since 2007 when she opened the doors of the Oprah Winfrey Leadership

Academy for Girls in South Africa (Variety, 2017). She encourages girls from grades 8 to 12 to take charge of their own lives through education and leadership (Variety, 2017).

### **Individualized Consideration**

In 2017 Forbes ranked Costco America's best employer after polling more than 30,000 workers across the U.S. (McCarthy, 2017). Costco values its employees and it shows them this by paying them higher than the average worker, about \$20 per hour, and offering benefits to both full and part time employees, as well as closing its stores on Thanksgiving Day. Jim Senegal is the founder of Costco and has long been renowned for his treatment of his employees, once quoted as saying, "I don't see what's wrong with an employee earning enough to be able to buy a house or have a health plan for the family. We're trying to build a company that will be here 50 years from now." (Flanigan, 2004). Leaders that support their followers in caring and exceptional manner are supporting the theory of individualized consideration (Northouse, 2018).

### **Entrepreneurial Characteristics**

In a more refined examining the characteristics that make up an entrepreneurial leader there are competing and complementary views, starting with Chen (2007) and Gupta et al. (2004), who earmarked three main competencies for effective entrepreneurial leaders to emulate. These competencies certainly encompass the Young Entrepreneur Council (2013) list of 12 key traits, and include proactiveness, innovativeness, and risk-taking.

#### **Proactiveness**

Proactiveness means instead of waiting for the future to unfold and thus be influenced by their surroundings, a proactive leader will actively and creatively forge their own path (Bagheri

& Pihie, 2011). This typical trait (or learned skill) of an entrepreneurial leader empowers them to be agile and visionary with regards to plotting their own future success (Hannah, Avolio, Luthans & Harms, 2008). To best prepare future entrepreneurial leaders academics the proactiveness attribute is what motivates a future entrepreneur and enables them to recognize their own learning needs and continue and further their own learning by engaging in training, programs, and activities to succeed in times of challenges and crisis (Cope & Watts, 2000).

### **Innovativeness**

The second trait, innovativeness, the attribute that best differentiates entrepreneurial leaders from those just looking to be self-employed entrepreneurs is their innovativeness (Kuratko, 2005). This ability to think and act with creativity while solving problems, regardless of complexity, and use resources wisely. Entrepreneurial leadership is generally associated with starting new companies, like Bill Gates starting Microsoft or Sara Blakely, creator of Spanx, it is important to consider that this leadership style often exists within established organizations (Daft & Lane, 2018).

### **Risk-taking**

The third and finally area, risk-taking, and Chen (2007) defines this as a “willingness to absorb uncertainty and take the burden of responsibility for the future.” This is better defined looking through the leadership vs. manager lens: leaders pursue adaption and change vs. managers are motivated by rules and order (Northouse, 2018). The fundamental differences of the two juxtaposed with fundamental similarities of a leader and an entrepreneur should be encouraging or concerning to would-be entrepreneurial leaders. Are you a risk-taker and thus a



leader? Or are you more suited to manager and not imbuing the traits of an entrepreneurial leader? These are questions to be asked and considered.

### **Varying Perspectives and Applying the Theory**

Even with the theory being relatively young, there are many different perspectives related to the theory of entrepreneurial leadership, and these differ mostly in what theorists surmise as the key qualities and traits make an effective entrepreneurial leader, but also in terms of what this new distinction means and of course, where it applies. Some of the academic research into this emerging look at leadership and its intersection with entrepreneurship focuses on three main categories (Renko, et al., 2015), which include the leaders themselves, so more about characteristics of a leader. Then there is the area of the new business owners adopting leadership roles and how they will respond to this new position they find themselves in and augmented responsibilities it brings. Finally, the distinctions and similarities of entrepreneurs and leaders. It is important to note that entrepreneurial leadership is not the same thing as entrepreneurship, the key differentiating factor being that entrepreneurs focus on new venture(s) at hand, while entrepreneurial leaders look to create new and often innovative initiatives outside of their existing projects (Greenberg, McKone-Sweet & Wilson, 2011) and is a combination of leadership and entrepreneurship (Esmer, 2017). Leaders and entrepreneurs have similar traits and characteristics which include risk taking propensity, innovativeness, and the drive to create a more robust future for the organization (Fernald, Solomon & Tarabishy, 2005). There are specific competencies related to entrepreneurial leaders which give them the advantage over other types of leadership (Lans & Mulder, 2009).

By introducing entrepreneurial leadership into business and organizations it allows all levels of the group to understand and foster the importance of innovation and seizing

opportunities (Renko et al, 2015). This evolving leadership theory can also assist both new, typically smaller ventures, as well as operations looking to enhance ventures and continue to be competitive and viable in an ever-changing marketplace (Renko, et al. 2015).

### **Strengths and Blind Spots**

The most obvious drawback to the theory and construct of entrepreneurial leadership is the lack of research and academic attention the theory draws. As the country and educational institutes continue to explore and embrace the concept of entrepreneurial leadership more research will invariably be defined. Thus far researchers have made inroads trying to define and refine the theory, and as stated previous there are competencies and key traits that academics and entrepreneurial advocates have professed entrepreneurial leaders will need to succeed. Unlike the theory of leadership, where most authors, academics, and researchers all agree that agreeing on a definition of leadership is a moot point, entrepreneurial leadership researchers have not come to the same consensus. To further cloud the already murky waters, articles and papers are increasing in publication (Appendix B), purporting things like the following article by Warren (2012), *There are five key essentials for entrepreneurial leadership to flourish*:

1. Vision and dissatisfaction with the present
2. Knowing and taking advantage of your unfair advantages
3. Ability to get people on board and add to the vision
4. Flexibility to adapt, openness to feedback and the ability to keep learning
5. Persistence and execution

Again, like the other key lists and ingredients mentioned earlier, and with most overlapping and complementing each other, the theory is gaining momentum and popularity, but

may suffer from being watered down. Like leadership and all things that relate to the study of leadership, a full-blown definition is going to be hard to attain, because when it comes to entrepreneurial leadership often, “it depends.”

### **Practical Applications**

Another concept that entrepreneurial leaders may unwittingly employ for optimal success is the model of distributed leadership (Ancona et al., 2007) which views leadership as four fluid and distinct capabilities, which include sensemaking (Weick, 2001), relating, visioning, and inventing (Ancona, et al., 2007).

#### **Sensemaking**

With the competitive and innovative business climate we live in today, simply having entrepreneurial skills and leadership qualities will not make business people successful (Esmer, 2017). Entrepreneurial leadership is be taught and honed (Baron & Ensly, 2006) through the classroom, small business centres, and through further research and study on the subject. Leaders that are better educated in the theory will understand that all the aforementioned key strengths, traits, characteristics, and practices will certainly assist the leader, but one key element of the practice should also be included and that is reflection. This can be a difficult stage of the learning and growing process of an entrepreneurial leader, especially because most subjects are not used to the reflection process (Cope & Watts, 2000), but to better lead entrepreneurial pursuits as well as team members this phase is crucial (Bagheri & Pihie, 2011).

#### **Relating**

The three fundamentals of relating to your followers include inquiring, advocating, and connecting (Ancona, et al. 2007). Inquiring will ensure the entrepreneurial leader is listening in earnest and empathy while remembering to suspend judgement of the speaker's motivation as well as their own bias (Ancona, et al. 2007). Advocating will help the entrepreneurial leader is the opposite to inquiring is now the chance for them to clearly state their own thoughts and understandings (Ancona, et al. 2007). Finally connecting will help an entrepreneurial leader establish effective mentors and collaborators to assist in them reaching their overall goals. Looking at these three key elements of relating, entrepreneurial leaders will need to be good listeners, whether listening to followers, investors, or the global economy and situation surrounding them.

### **Visioning**

While sensemaking and relating are considered the enabling capabilities of the entrepreneurial leader, visioning, and later inventing, are the creative and action-based areas to focus on (Ancona, et al. 2007). Vision has been used prior in several areas to define and articulate what it means to be an entrepreneurial leader, and the need to carve out a future they envision (Fernald, Solomon & Tarabishy, 2005). Inventing gives an entrepreneurial leader a platform to give meaning to the work of the follower (Ancona, et al. 2007) (Daft & Lane, 2018). This is not unlike the definition of transformational leadership used by Northouse (2018), "...transformational leadership results in performance that goes beyond what is expected."

### **Inventing**

Like its action-oriented counter-part visioning, brings life to the entrepreneurial leader's quest and this phase of the distributed leadership model will ensure entrepreneurial leaders have

a process to move forward (Ancona, et al. 2007). Most compelling of this phase and what makes it such an important complement to the entrepreneurial leader is that, as Ancona et al. (2007) describe the concept, this is where the business model transfers, “from the abstract world of ideas to the concrete world of implementation.”

### **Reflection**

Entrepreneurial leadership is a development that includes experiential, reflecting, and observation learning that should be studied and researched to develop sound leadership education. There are two areas of business that entrepreneurial leadership is such a key within, that is in the traditional entrepreneurial arena, as well as in traditional organizations that want to continue to prosper. To better prepare both traditional entrepreneurs as well as our economic leaders in the area to better succeed in a diverse and constantly changing and innovating global marketplace government and educational institutes must become more fluent in entrepreneurial leadership. By focusing on more extensive incentives for today's entrepreneurs like government sponsored health benefits, covered maternity and paternity leave for business owners, younger starts up may be more readily willing to take the leap into entrepreneurship. Government subsidies and financial incentives, such as programs like Career Focus (Government of Canada, 2019), and other wage incentive program through the federal government, that apply to all age groups and not just focus on younger adults ages 30 and under, again will give more confidence to aspiring entrepreneurs.

However, government must work hand in hand with educational institutes to better educate up and coming students, entrepreneurs, and businesspeople to work and think like an entrepreneurial leader. This emerging area of leadership can take centre stage be become and area to be exploring for our own economic growth in Canada, to help existing companies to

continue to flourish and stay innovative, and this theory is obviously quite important to start-ups and entrepreneurs, but not exclusive to these areas and certainly not always necessary for some entrepreneurs even – think franchisee owner. However, entrepreneurial leadership is a key dynamic in making an organization be more successful in increasingly competitive markets. This could range from post-secondary educational institutes always jockeying for things to set them apart to domestic and international students, to the more traditional commerce-based businesses like supermarkets to clothing stores. Investing in entrepreneurial leadership theory and application will mean investing in the nation's economy.

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## Appendix A

**Table 1**  
**Evolving Definition of Entrepreneurial Leadership**

Cunningham and Lischeron (1991)	Entrepreneurial leadership involves setting clear goals, creating opportunities, empowering people, preserving organizational intimacy, and developing a human resource system.
Ireland, Hitt, and Sirmon (2003)	Entrepreneurial leadership entails the ability to influence others to manage resources strategically in order to emphasize both opportunity-seeking and advantage-seeking behaviors.
Gupta, MacMillan, and Surie (2004)	Leadership that creates visionary scenarios that are used to assemble and mobilize a supporting cast of participants who become committed by the vision to the discovery and exploitation of strategic value creation.
Thornberry (2006)	Leadership requires passion, vision, focus, and the ability to inspire others. Entrepreneurial leadership requires all these, plus a mindset and skill set that helps entrepreneurial leaders identify, develop, and capture new business opportunities.
Surie and Ashley (2008)	Leadership capable of sustaining innovation and adaptation in high velocity and uncertain environments.
Definition developed in this study	Entrepreneurial leadership entails influencing and directing the performance of group members toward the achievement of organizational goals that involve recognizing and exploiting entrepreneurial opportunities.

## Appendix B

